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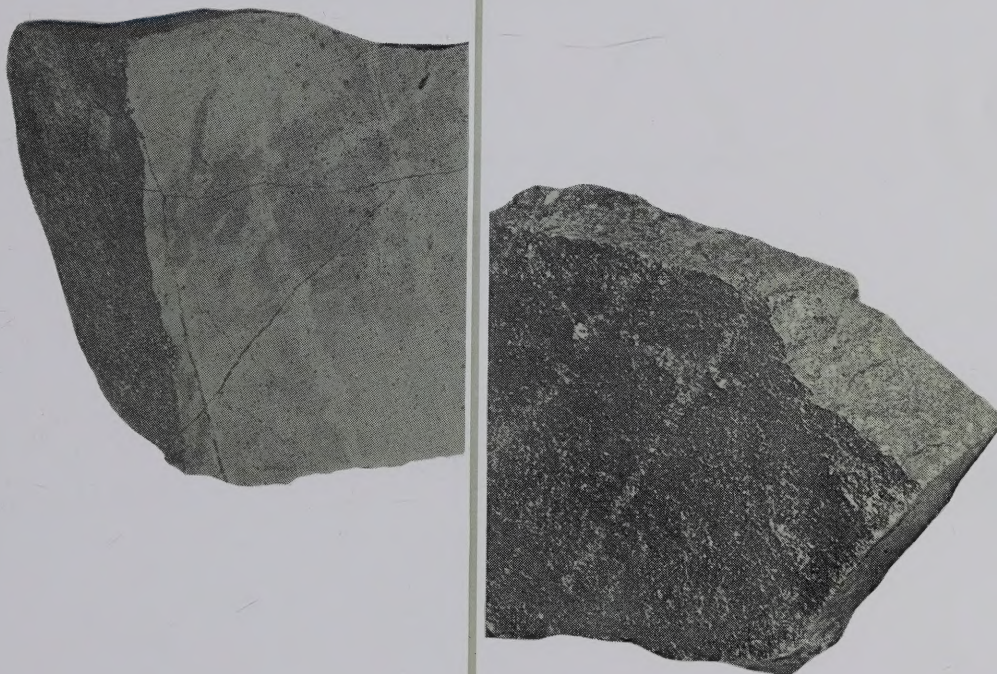
MARCHANT

MINING COMPANY LTD.

(No Personal Liability)

ANNUAL REPORT

for the year ended December 31, 1966



Including a copy of the Financial Statements of

Marbridge Mines Limited

NO PERSONAL LIABILITY



Associate Little Long Lac Gold Mines Limited



This symbol has been selected to represent Canada's Centennial of Confederation in 1967—literally Canada's National 100th birthday symbol. This is an ingenious design of eleven equilateral triangles arranged together into a symbolic Maple Leaf, representing the ten provinces and the Canadian Northern Territories.

FRONT COVER PHOTOGRAPHS

NICKEL ORE SPECIMENS

Left photograph shows polished nickel ore specimen and Right unpolished one. Both show streaks of PENTLANDITE (High grade sulphide of nickel).

MARCHANT MINING COMPANY LTD.

(No Personal Liability)

OFFICERS	J. C. L. ALLEN, <i>President</i> - - - - Toronto, Ontario
	R. C. STANLEY, JR., <i>Vice-President</i> - - New York, N.Y.
	B. A. ARGO, <i>Secretary</i> - - - - Toronto, Ontario
	D. M. LORIMER, <i>Comptroller</i> - - - Toronto, Ontario
DIRECTORS	J. C. L. ALLEN - - - - - Toronto, Ontario
	P. A. ALLEN, P.Eng. - - - - - Toronto, Ontario
	B. A. ARGO - - - - - Toronto, Ontario
	P. K. HANLEY - - - - - Toronto, Ontario
	L. B. HARDER - - - - - New York, N.Y.
	R. C. STANLEY, JR. - - - - - New York, N.Y.
TRANSFER AGENT	Eastern & Chartered Trust Company, Toronto, Ontario.
AUDITORS	Gunn, Roberts & Co., Toronto, Ontario.
SOLICITORS	Holden, Murdoch, Walton, Finlay, Robinson, Pepall & Harvey, Toronto, Ontario.
HEAD OFFICE	100 d'Youville, Quebec, P.Q.
EXECUTIVE OFFICE	Suite 400, 112 King Street West, Toronto, Ontario.

MARCHANT MINING COMPANY LTD.

(No Personal Liability)

Report of the Directors

To the Shareholders:

Your Directors are pleased to present the Financial Statements for the year ended December 31st, 1966, together with the Auditors' Report thereon. The Financial Statements and the Report of the Board of Directors of MARBRIDGE MINES LIMITED, in which your Company holds a fifty percent interest with Falconbridge Nickel Mines Limited, are also included with this Report.

As shown in the Marbridge Report, the Operating and Net Profits were considerably higher. It will be noted in reading the Marbridge Balance Sheet that Estimated Ore Settlements receivable from Falconbridge Nickel Mines Limited amounted to \$2,729,097 at the 1966 year-end as compared to \$1,457,592 for 1965. Dividends totalling \$1,455,000 were paid in 1966 of which half or \$727,500 were received by Marchant — and \$600,000 thereof, or 20 cents per share was disbursed to Marchant shareholders.

Efforts are being continued to acquire and develop other mining situations of merit. In this connection, your Company is backed by ample financial resources and qualified technical personnel.

Respectfully submitted,

On behalf of the Board,

JOHN C. L. ALLEN,

President.

March 30, 1967.

MERCHANT MINING

(No Pers

(Incorporated under

Balance Sheet as

ASSETS

1965 for
Comparison

CURRENT ASSETS

Cash	\$ 8,882	\$ 24,365
Short term deposits	120,000	
Marketable securities at cost (quoted market value 1966 \$1,332,800; 1965 \$1,245,000)	983,977	983,977
	<u>1,112,859</u>	<u>1,008,342</u>

INTEREST IN OTHER COMPANIES

Investment in Marbridge Mines Limited (50% owned) at cost (note 1)	119,039	119,039
Other shares at cost less amounts written off	33,700	40,393
	<u>152,739</u>	<u>159,432</u>

OTHER ASSETS	979	2,376
	<u>\$1,266,577</u>	<u>\$1,170,150</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Marchant Mining Company Ltd. (No Personal Liability) as at December 31, 1966 and the statements of income and retained earnings, and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the aforementioned financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1966 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 23, 1967.

GUNN, ROBERTS and CO.,
Chartered Accountants.

COMPANY LTD.

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ys of Quebec)

December 31, 1966

LIABILITIES

		1965 for Comparison
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,400	\$ 3,359
SHAREHOLDERS' EQUITY		
Capital stock		
Authorized — 5,000,000 shares of \$1 each		
Issued — 3,000,005 shares	3,000,005	3,000,005
Less discount on shares	2,462,500	2,462,500
	537,505	537,505
Retained earnings	726,672	629,286
	1,264,177	1,166,791
Approved on behalf of the Board:		
J. C. L. ALLEN, Director.		
R. C. STANLEY, Jr., Director.		
	<u>\$1,266,577</u>	<u>\$1,170,150</u>

NOTES TO FINANCIAL STATEMENTS

1. It is the company's practice to record as income from Marbridge Mines Limited (50% owned) only dividends received. The company's share of the profits of Marbridge Mines Limited exceeded dividends received from it during the year 1966 by approximately \$76,000 and since acquisition of its shares by approximately \$1,218,000.
2. For comparative purposes, certain 1965 items have been reclassified on the same basis as is used for statement presentation for 1966.

MERCHANT MINING COMPANY LTD.

(No Personal Liability)

Statement of Income and Retained Earnings

Year ended December 31, 1966

		1965 for Comparison
REVENUE		
Dividends received		
Marbridge Mines Limited	\$ 727,500	\$ 510,000
Other	28,856	24,300
Interest received	1,837	1,294
	<u>758,193</u>	<u>535,594</u>
EXPENSES		
Administrative and corporate expenses		
Management, accounting, secretarial and engineering services	30,000	30,000
Directors' fees	6,000	6,000
Legal and audit	5,932	581
Share transfer expenses	921	1,132
Meetings and reports	2,168	1,559
General expenses	2,108	1,653
	<u>47,129</u>	<u>40,925</u>
Exploration costs written off		25,692
Advances to another mining company written off		1,539
Mining claims abandoned	1,397	
Interest expense		4,183
	<u>48,526</u>	<u>72,339</u>
Income before undernoted items	709,667	463,255
(Loss) gain on investments sold	(12,280)	5,989
Net income for the year	<u>697,387</u>	<u>469,244</u>
Retained earnings at beginning of year	629,286	310,042
	<u>1,326,673</u>	<u>779,286</u>
Deduct dividends paid	600,001	150,000
Retained earnings at end of year	<u>\$ 726,672</u>	<u>\$ 629,286</u>

MARCHANT MINING COMPANY LTD.

(No Personal Liability)

Statement of Source and Application of Funds

Year ended December 31, 1966

		1965 for Comparison
SOURCE OF FUNDS		
Net income for the year	\$ 697,387	\$ 469,244
Add back items not requiring cash outlay	1,397	13,250
Add loss (deduct gain) on investments sold	12,280	(5,989)
	<u>711,064</u>	<u>476,505</u>
APPLICATION OF FUNDS		
Investment in other companies, net	5,587	26,124
Dividends paid	600,001	150,000
	<u>605,588</u>	<u>176,124</u>
Increase in working capital	105,476	300,381
Working capital at beginning of year	1,004,983	704,602
Working capital at end of year	<u>\$1,110,459</u>	<u>\$1,004,983</u>



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MARBRIDGE MINES LIMITED

(No Personal Liability)

Financial Statements

December 31, 1966

MARBRIDGE MINES LIMITED

Report of the Board of Directors to the Shareholders

A report on your Company's operations for the year ended December 31, 1966, is presented herewith together with the financial statements of the Company for the year ended December 31, 1966, and the auditors' report thereon.

Financial

Earnings for the year were \$1,607,429 or 53.6¢ per share as compared with 39.6¢ in 1965. Dividends paid amounted to \$1,455,000 (48.5¢ per share) bringing the total distributions to date to \$3,570,000 (\$1.19 per share).

Operating profit before write-offs, exploration expenditures and taxes based on income was almost double at \$3,269,238, resulting primarily from the treatment of the higher grade ore from No. 2 Mine. It is significant that while the quantity of ore treated increased by only 3,206 tons to 128,519 tons, the nickel content of the concentrates sold increased to 7,181,450 pounds from 4,734,985 pounds in 1965. The increased market prices received for the metals contained also contributed to the higher profit.

As in prior years the write-offs have been adjusted to amortize the expenditures concerned over the remaining life of the orebodies. As the readily available ore is mined out, proportionately higher expenditures are required to develop additional ore with the result that the rate of write-off of development expenditure has increased. The amount of development written off increased to \$326,539 from \$175,990 in spite of the minor increase in ore treated. The increase in allowance for depreciation from \$193,485 in 1965 to \$226,737 in 1966 reflects the amortization of the plant required for the No. 2 Mine over the relatively small number of tons treated or to be treated from that orebody.

Estimated taxes based on income were very substantially higher in 1966. Provincial mining taxes, estimated at \$240,000 (compared with \$60,000 in 1965), increased as a result of the recent changes in the Quebec Mining Duties Act and the increase in profit. Federal and Provincial income taxes are estimated at \$785,000. If new mine status is granted to the No. 2 Mine, this provision will not be required.

The flow of funds for the year ended December 31, 1966 (with comparative figures for the year 1965) is summarized as follows:

	1966	1965
SOURCE OF FUNDS:		
From operations —		
Earnings for the year	\$1,607,429	\$1,189,016
Add non-cash charges included therein —		
Write-offs	553,276	369,475
	<u>\$2,160,705</u>	<u>\$1,558,491</u>
DISBURSEMENT OF FUNDS:		
Dividends paid	\$1,455,000	\$1,020,000
Special refundable tax	57,600	—
Capital expenditures	19,829	258,892
Development expenditures	244,934	279,187
Net increase in supplies, prepaid expenses and deposit for electric power	5,483	2,130
	<u>\$1,782,846</u>	<u>\$1,560,209</u>
Increase (decrease) in funds during year	\$ 377,859	\$ (1,718)
Working capital at beginning of year	1,555,096	1,553,814
Working capital at end of year	<u>\$1,932,955</u>	<u>\$1,555,096</u>

Surface Exploration

The 44-claim group, north of the Marbridge property, acquired in 1964, was tested in 1965-66. The drill targets were weak and drilling disclosed no significant mineralization. The claims were dropped in November, 1966.

A thorough review was made of all previous surface exploration, magnetometer surveys, E.M. surveys and drilling, and the data was correlated with criteria established for ore deposition at No. 1 and No. 2 orebodies. A further exploration program was implemented and it located two small ore shoots.

Line cutting	12.2 miles
Magnetometer survey	16.6 miles
E.M. survey	16.6 miles
Diamond drilling	21,135 feet

Operations

(a) MINE DEVELOPMENT

The development program for the year included sinking a winze from 1350 to 1500 at No. 1 Mine and deepening No. 2 Shaft one level.

After the discovery of two ore shoots within the shaft areas, the program of development for 1966 was increased to provide access to this new ore.

At the year end, the development footage totalled:

No. 1 MINE	
Winze sinking	165 feet
Station cutting	6,294 cu. ft.
Other development	1,100 feet
No. 2 MINE	
Shaft deepening	146 feet
Station cutting	7,830 cu. ft.
Other development	1,893 feet

(b) PRODUCTION

	No. 1 Mine	No. 2 Mine	Total
Tons hoisted	23,695	105,039	128,734
Tons milled			128,519
Grade of mill feed			3.22% Ni
Concentrate grade			14.97% Ni*
Nickel recovery in concentrate			95.1 %

* Not settlement grade.

Total tons of concentrate delivered to the smelter in 1966 amounted to 26,138.

(c) ORE RESERVES

Total Developed and Indicated Ore

	Tons	% Ni
No. 1 Mine	36,850	1.52
No. 2 Mine	26,000	2.67
No. 3 Ore Shoot	33,250	1.90
No. 4 Ore Shoot	49,100	1.58
Total	145,200	1.83

General

Your Directors consider the results obtained in 1966 to be most satisfactory. Mr. Staveley, his staff and all connected with the operation, are commended for the excellent results accomplished in spite of the continued shortage of skilled miners and unusually severe weather conditions for part of the year.

Submitted on behalf of the Board,

R. C. MOTT,
President.

March 15, 1967.

MARBRIDGE MINES LIMITED

(No Personal Liability)
(Incorporated under the laws of Quebec)

Balance Sheet—December 31, 1966

(with comparative figures at December 31, 1965)

ASSETS

	1966	1965
CURRENT:		
Cash	\$ 273,380	\$ 168,378
Accounts receivable	4,809	3,962
Estimated ore settlements receivable from Falconbridge Nickel Mines Limited, a shareholder	2,729,097	1,457,592
Inventory of concentrates (at estimated net amount receivable)	91,218	99,047
	<u>3,098,504</u>	<u>1,728,979</u>
FIXED:		
Plant and equipment at cost —		
Mine buildings and equipment	774,821	756,924
Canadian Malartic mill extension	454,067	452,135
	<u>1,228,888</u>	<u>1,209,059</u>
Less accumulated depreciation	1,150,644	923,907
	<u>78,244</u>	<u>285,152</u>
Mining properties at cost (note 1)	513,756	513,756
	<u>592,000</u>	<u>798,908</u>
OTHER:		
Supplies at cost and prepaid expenses	38,815	29,267
Deposit for electric power at amortized cost	3,529	7,594
Deferred development and pre-production expenditures less amounts written off	112,743	194,348
Special refundable tax	57,600	
	<u>212,687</u>	<u>231,209</u>
	<u>\$3,903,191</u>	<u>\$2,759,096</u>

LIABILITIES

CURRENT:		
Accounts payable and accrued charges	\$ 184,892	\$ 123,383
Estimated taxes payable	980,657	50,500
	<u>1,165,549</u>	<u>173,883</u>
SHAREHOLDERS' EQUITY:		
Capital —		
Authorized and issued:		
3,000,000 shares of \$1 par value —		
For cash	5 shares	5
For property	2,999,995 shares	2,999,995
Less discount	<u>2,699,995</u>	<u>300,000</u>
	<u>300,005</u>	<u>300,005</u>
	<u>3,000,000 shares</u>	
Retained earnings	2,437,637	2,285,208
	<u>\$2,737,642</u>	<u>2,585,213</u>
	<u>\$3,903,191</u>	<u>\$2,759,096</u>

On behalf of the Board:

R. C. MOTT, Director.

JOHN D. BRYCE, Director.

See notes to financial statements.

MARBRIDGE MINES LIMITED

(No Personal Liability)

Statements of Earnings and Retained Earnings

For the year ended December 31, 1966

(with comparative figures for the year 1965)

EARNINGS

	1966	1965
Sales of concentrates	\$4,885,782	\$2,987,576
Cost of mining and concentrating including general and administrative expenses	1,616,544	1,337,627
Operating profit before providing for development and preproduction expenditures and depreciation	3,269,238	1,649,949
Development and preproduction expenditures written off (note 2)	326,539	175,990
Allowance for depreciation (note 2)	226,737	193,485
	553,276	369,475
Operating profit	2,715,962	1,280,474
Exploration expenses	83,533	31,142
Earnings before taxes	2,632,429	1,249,332
Taxes based on income — estimated (note 3)	1,025,000	60,316
Earnings for the year	\$1,607,429	\$1,189,016

RETAINED EARNINGS

Balance at beginning of year	\$2,285,208	\$2,119,385
Add earnings for year	1,607,429	1,189,016
	3,892,637	3,308,401
Deduct:		
Dividends paid	1,455,000	1,020,000
Organization expenses written off		3,193
	1,455,000	1,023,193
Balance at end of year	\$2,437,637	\$2,285,208

See notes to financial statements.

MARBRIDGE MINES LIMITED

(No Personal Liability)

Notes to Financial Statements

December 31, 1966

1. Marbridge Mines Limited acquired its mining properties in consideration for the issue of 2,999,995 shares of its capital stock and cash payments totalling \$213,756.
2. Depreciation is being provided and deferred development and preproduction expenditures are being written off pro rata on the number of tons treated based on the estimated ore reserves.
3. The 1965 taxes consist entirely of mining taxes; no income taxes are payable in respect of the 1965 year as the company had no taxable income as a result of claiming depreciation, development and preproduction expenses charged against income during the exempt period of the company's number 1 mine which ended on March 31, 1965.

AUDITORS' REPORT

To the Shareholders of
Marbridge Mines Limited:

We have examined the balance sheet of Marbridge Mines Limited as at December 31, 1966, and the statements of earnings and retained earnings for the year ended on that date, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us, and as shown by the books of the company, the accompanying balance sheet and statements of earnings and retained earnings are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1966, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.,
Chartered Accountants.

Toronto, Canada,
March 17, 1967.

